

**CITY OF ELDORA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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## City of Eldora, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2004)</b>		
Tim Hoy	Mayor	Jan 2004
Tony Voss	Council Member	Jan 2004
Chuck Crandall (Appointed)	Council Member	Jan 2004
Denny Barnard	Council Member	Jan 2006
Tom Donald	Council Member	Jan 2006
Rick Warren	Council Member	Jan 2006
<b>(After January 2004)</b>		
Ken Reece	Mayor	Jan 2006
Denny Barnard	Council Member	Jan 2006
Tom Donald	Council Member	Jan 2006
Rick Warren	Council Member	Jan 2006
Kip Knutson	Council Member	Jan 2008
Jerry Kramer	Council Member	Jan 2008
Eric Weinkoetz	Administrator	Appointed
Joyce Lawler	Deputy City Clerk	Appointed
Dave Dunn	Attorney	Jan 2006

## City of Eldora, Iowa

### Officials (cont'd)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Library Board</u>		
Mary Swartz	Member	Jul 2004
Dean Stickrod	Member	Jul 2004
Marcia Thompson	Member	Jul 2004
Don Wilson	Member	Jul 2006
Tim Ellefson	Member	Jul 2006
Denise Wolf	Member	Jul 2008
Lynn Allbee	Member	Jul 2008

### Board of Adjustment

Bob Webb	Member	May 2004
Dick Ritter	Member	May 2005
Glen Gaede	Member	May 2006
David McCall	Member	May 2007
Mary Ellen Doughty	Member	May 2008

### Planning and Zoning Commission

Bruce Harvey	Member	Jun 2004
Larry Luiken	Member	Jun 2004
Frank Valde	Member	Jun 2005
Dan Dye	Member	Jun 2005
Mary Rubow	Member	Jun 2007
Bill Dagit	Member	Jun 2008
Steve Piske	Member	Jun 2008

### Theater Board

Ingvert Appel	Member	Dec 2005
Nancy Steinfeldt	Member	Dec 2005
Karen Miller	Member	Dec 2007
Dave Rubow	Member	Dec 2007
Judith Andrews	Member	Dec 2007

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Eldora's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 12, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2004 on our consideration of the City of Eldora’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldora’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedule 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

October 1, 2004

**CITY OF ELDORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

This discussion and analysis is intended to be an easily readable analysis of the City of Eldora's financial activities for the fiscal year ended June 30, 2004 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

**Financial Highlights**

The City reissued a GO Bond which paid off one GO Bond and gave us money for equipment purchases.

The Mercy Lawsuit settlement came in and that money was put in a separate reserve account to be used for medical needs such as a new ambulance, medical equipment, and repairs to the old hospital building.

**Basis of Accounting**

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues, and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Report Layout**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedule or non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer, solid waste and theatre.

## **Statement of Activities**

The focus of the Statement of Activities is to present the major program cost and match major resources with each. To the extent a program's cost is not recovered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the Statement of Activities is a section containing fund financial statements. In the Statement of Cash Transactions and Changes in Cash Balance the City's major funds are presented in their own column and the remaining funds are combined into a column titled "Nonmajor Governmental or Proprietary Funds". For each major fund, a Schedule of Cash Transactions is presented. Readers who wish to obtain information on nonmajor funds can find it in the Combining Schedule of Nonmajor Funds in the Supplemental Information sections of this report. Finally, completing the document is a series of other financial schedules and the reports by the independent certified public accountants as required by state statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eldora, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Eldora can be divided into two categories: governmental funds and proprietary funds.



*Governmental Funds* – Governmental funds account for most of the City’s basic services. These focus on how money flows into and out of those funds, and balances at year-end that are available for spending. The governmental funds include 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City’s programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

*Proprietary Funds* – Proprietary funds account for the City’s Enterprise Funds. The City of Eldora maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Eldora uses enterprise funds to account for its Water, Sewer, Landfill, Utility Deposits and Theater. The Sewer Fund is considered to be a major fund, while the rest are combined as nonmajor business activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

***Notes to the Financial Statements:*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Other Information:*** This report also presents certain required supplementary information concerning the City of Eldora’s progress in funding its obligation to provide pension benefits to its employees.

## **Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

## Changes in Net Assets of Governmental Activities

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	Year ended June 30, 2004
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 231,933
Grants and contributions	313,292
General receipts:	
Property taxes	810,252
Tax increment financing	19,895
Other city taxes	236,924
Investment earnings	27,595
Rents received	65,003
Other general receipts	53,806
Other financing sources	2,573,374
Transfers net	<u>42,792</u>
Total receipts and transfers	<u>4,374,866</u>
Disbursements:	
Public safety	628,097
Public works	396,145
Health and social services	352,073
Culture and recreation	251,924
Community and economic development	760
General government	259,135
Debt service	883,600
Capital projects	<u>819,066</u>
Total disbursements	<u>3,590,800</u>
Increase (decrease) in cash basis net assets	784,066
Cash basis net assets beginning of year	<u>1,337,011</u>
Cash basis net assets end of year	\$ 2,121,077 =====

The City's total receipts from governmental activities were \$4,374,866. The total cost of all programs and services was \$3,590,800, with no new programs added this year. The \$784,066 difference between revenues and disbursements came from cash balances on hand and the Mercy Law Suit settlement.

## Changes in Net Assets of Business Type Activities

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	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 297,274
Sewer	443,454
Solid waste	85,855
Other charges	114,765
General receipts:	
Interest	14,912
Other general receipts	19,514
Other financing sources	<u>157,293</u>
Total receipts and transfers	<u>1,133,067</u>
Disbursements:	
Water	264,854
Sewer	364,360
Solid waste	85,304
Other business type	98,818
Capital projects	335,775
Transfers, net	<u>42,792</u>
Total Disbursements and transfers	<u>1,191,903</u>
Increase (decrease) in cash basis net assets	(58,836)
Cash basis net assets beginning of year	<u>1,089,856</u>
Cash basis net assets end of year	\$ 1,031,020 =====

### Individual Major Governmental Fund Analysis

As the City of Eldora completed its year, its governmental funds reported a combined cash balance of \$2,121,077, an increase of more than \$780,000 above last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$973,398 from the prior year to \$1,301,392. Most of this increase is due to receiving proceeds from a lawsuit. The proceeds have been reserved for medical needs.

- The Debt Service Fund cash balance decreased \$37,568 from the prior year to \$61,969. During 2004, a new bond issue was issued with the proceeds being used to refinance bonds and purchase equipment.

### **Individual Major Business Type Fund Analysis**

- The Sewer Fund cash balance decreased \$86,970 from the prior year to \$481,550. This is mainly due to construction expenditures being paid out for the wastewater treatment plant prior to receipt of bond proceeds.

### **Budgetary Highlights**

The City of Eldora adopts an annual budget for all funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Public Safety** – This category includes police operations, civil service commission, emergency management, fire protection, and ambulance service.

**Public Works** – This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, traffic safety, and snow removal.

**Culture and Recreation** – This category includes library services, parks, recreation, and cemetery.

**Community and Economic Development** – This category includes trees forever, TIF, planning and zoning, and community activities.

**General Government** – This category includes mayor/administrator, city council, deputy city clerk, legal services, city hall, insurance, cemetery, hospital, ambulance, and safety programs.

**Debt Service** – This category includes general, TIF and road use debt service.

**Capital Projects** – This category includes lease purchase, property acquisition, blight, right-of-way, and street resurfacing.

**Business Type Activities** – This category includes water, sewer, solid waste and theater operations.

The differences between the original budgeted expenditures and the final expenditures decreased by \$2,478,123 and can be briefly summarized as follows:

1. The local option sales tax was more than what was budgeted for. Therefore, whatever revenues that we receive are also an expense going out to the other funds.
2. Interest income from investments decreased with the declining rates.
3. Revenue and expenses that were incurred with the Mercy Lawsuit that were not budgeted for.

**Long-term debt** – At the end of the current fiscal year, the City of Eldora had a total debt outstanding of \$2,200,505. This consists of \$1,190,000 of general obligation debt, \$5,504 of TIF debt and \$1,005,001 of sewer revenue bonds. During 2004, a new GO bond was issued and paid off two outstanding issues which had higher interest rates.

### **Economic Factors and Next Year's Budgets and Rates**

The passing of the “Re-inventing Iowa” bill from the State of Iowa, cut state funding to cities including personal property tax replacement, monies and credits, along with the early phase out of machinery and equipment replacement tax for next year. The bill was passed after next year's budget was certified therefore any amended budget will show the decreased receipts and disbursements.

The approval for construction of the new wastewater facility may cause the budget to be amended.

These factors, if known were considered in doing the City of Eldora City 2004 budget. If they were not known, then they will be considered with the 2004 amended budget.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Eldora's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should contact the City of Eldora, City Administrator, 1442 Washington St., Eldora, Iowa 50627.

## **Basic Financial Statements**

City of Eldora, Iowa

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

		Program Receipts		
		Operating		
		Grants, Capital Grants, Contributions, Contributions, and Restricted and Restricted		
		Charges for	Interest	Interest
	<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 628,097	181,038	30,359	-
Public works	396,145	15,198	252,778	-
Health and social services	352,073	-	-	-
Culture and recreation	251,924	25,078	23,596	-
Community and economic development	760	-	-	-
General government	259,135	10,619	6,559	-
Debt service	883,600	-	-	-
Capital projects	819,066	-	-	-
Total governmental activities	<u>3,590,800</u>	<u>231,933</u>	<u>313,292</u>	<u>-</u>
Business type activities:				
Other nonmajor	448,976	497,894	-	-
Sewer	700,135	443,454	-	-
Total business type activities	<u>1,149,111</u>	<u>941,348</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,739,911</u>	<u>1,173,281</u>	<u>313,292</u>	<u>-</u>

Exhibit A

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

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Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
(416,700)	-	(416,700)
(128,169)	-	(128,169)
(352,073)	-	(352,073)
(203,250)	-	(203,250)
(760)	-	(760)
(241,957)	-	(241,957)
(883,600)	-	(883,600)
(819,066)	-	(819,066)
<u>(3,045,575)</u>	<u>-</u>	<u>(3,045,575)</u>
-	48,918	48,918
<u>-</u>	<u>(256,681)</u>	<u>(256,681)</u>
<u>-</u>	<u>(207,763)</u>	<u>(207,763)</u>
<u>(3,045,575)</u>	<u>(207,763)</u>	<u>(3,253,338)</u>

(continued)



## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts:</b>			
Property tax levied for:			
General purposes	599,371	-	599,371
Tax increment financing	19,895	-	19,895
Debt service	210,881	-	210,881
Local option sales tax	236,924	-	236,924
Unrestricted interest on investments	27,595	14,912	42,507
Rents received	65,003	-	65,003
Interfund loan repayment	3,182	-	3,182
Lawsuit proceeds	1,791,741	-	1,791,741
Bond proceeds	781,633	157,293	938,926
Miscellaneous	40,022	19,514	59,536
Sale of assts	10,602	-	10,602
Transfers	42,792	(42,792)	-
Total general receipts and transfers	3,829,641	148,927	3,978,568
Change in cash basis net assets	784,066	(58,836)	725,230
Cash basis net assets beginning of year	1,337,011	1,089,856	2,426,867
Cash basis net assets end of year	\$ 2,121,077	1,031,020	3,152,097
<b>Cash Basis Net Assets</b>			
Restricted:			
Streets	\$ 223,532	-	223,532
Cemetery perpetual care	130,667	-	130,667
Debt service	61,969	-	61,969
Other purposes	65,076	-	65,076
Unrestricted	1,639,833	1,031,020	2,670,853
<b>Total cash basis net assets</b>	\$ 2,121,077	1,031,020	3,152,097

See notes to financial statements.

City of Eldora, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>
Receipts:		
Property tax	\$ 383,681	200,592
Tax increment financing collections	-	-
Other city tax	19,767	10,290
Licenses and permits	10,619	-
Use of money and property	85,300	1,332
Intergovernmental	27,233	-
Charges for service	204,036	-
Special assessments	-	-
Miscellaneous	19,937	-
Total receipts	<u>750,573</u>	<u>212,214</u>
Disbursements:		
Operating:		
Public safety	587,434	-
Public works	121,500	-
Health and social services	352,073	-
Culture and recreation	227,013	-
Community and economic development	760	-
General government	233,749	-
Debt service	-	883,600
Capital projects	-	545,916
Total disbursements	<u>1,522,529</u>	<u>1,429,516</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(771,956)</u>	<u>(1,217,302)</u>
Other financing sources (uses):		
Interfund loan repayment	3,032	-
Lawsuit proceeds	1,791,741	-
Bond proceeds	-	781,633
Sale of capital assets	375	-
Operating transfers in	614,788	398,101
Operating transfers out	(664,582)	-
Total other financing sources (uses)	<u>1,745,354</u>	<u>1,179,734</u>
Net change in cash balances	973,398	(37,568)
Cash balances beginning of year	327,994	99,537
Cash balances end of year	<u>\$ 1,301,392</u>	<u>61,969</u>
<b>Cash Basis Fund Balances</b>		
Reserved:		
Debt service	\$ -	61,969
Health care	1,000,722	-
Unreserved:		
General fund	300,670	-
Special revenue funds	-	-
Capital projects fund	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 1,301,392</u>	<u>61,969</u>

See notes to financial statements.

Other  
Nonmajor  
Governmental

<u>Funds</u>	<u>Total</u>
186,219	770,492
19,895	19,895
246,627	276,684
-	10,619
6,277	92,909
256,112	283,345
13,576	217,612
3,702	3,702
49,721	69,658
<u>782,129</u>	<u>1,744,916</u>
40,663	628,097
274,645	396,145
-	352,073
24,911	251,924
-	760
25,386	259,135
-	883,600
<u>273,150</u>	<u>819,066</u>
<u>638,755</u>	<u>3,590,800</u>
<u>143,374</u>	<u>(1,845,884)</u>
150	3,182
-	1,791,741
-	781,633
10,227	10,602
206,460	1,219,349
<u>(511,975)</u>	<u>(1,176,557)</u>
<u>(295,138)</u>	<u>2,629,950</u>
(151,764)	784,066
<u>909,480</u>	<u>1,337,011</u>
<u>757,716</u>	<u>2,121,077</u>
-	61,969
-	1,000,722
-	300,670
350,575	350,575
276,474	276,474
130,667	130,667
<u>757,716</u>	<u>2,121,077</u>

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds		
	Other Nonmajor Funds	Sewer	Total
Operating receipts:			
Use of money and property	\$ 500	-	500
Charges for service	489,673	443,454	933,127
Miscellaneous	7,721	-	7,721
Total operating receipts	<u>497,894</u>	<u>443,454</u>	<u>941,348</u>
Operating disbursements:			
Business type activities	<u>448,976</u>	<u>700,135</u>	<u>1,149,111</u>
Total operating disbursements	<u>448,976</u>	<u>700,135</u>	<u>1,149,111</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>48,918</u>	<u>(256,681)</u>	<u>(207,763)</u>
Non-operating receipts (disbursements):			
Interest on investments	7,147	7,765	14,912
Miscellaneous	10,161	9,353	19,514
Total non-operating receipts	<u>17,308</u>	<u>17,118</u>	<u>34,426</u>
Excess (deficiency) of receipts over (under) disbursements	<u>66,226</u>	<u>(239,563)</u>	<u>(173,337)</u>
Other financing sources (uses):			
Bond proceeds	-	157,293	157,293
Operating transfers out	<u>(38,092)</u>	<u>(4,700)</u>	<u>(42,792)</u>
Total other financing sources (uses)	<u>(38,092)</u>	<u>152,593</u>	<u>114,501</u>
Net change in cash balances	28,134	(86,970)	(58,836)
Cash balances beginning of year	<u>521,336</u>	<u>568,520</u>	<u>1,089,856</u>
Cash balances end of year	<u>\$ 549,470</u>	<u>481,550</u>	<u>1,031,020</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>549,470</u>	<u>481,550</u>	<u>1,031,020</u>
Total cash basis fund balances	<u>\$ 549,470</u>	<u>481,550</u>	<u>1,031,020</u>

See notes to financial statements.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

The City of Eldora, Iowa is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Eldora, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board: Hardin County Assessor's Conference Board.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental or enterprise funds are aggregated and reported as nonmajor governmental or enterprise funds.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis and Accounting

The City of Eldora maintains its financial records on the basis of cash receipts and

disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, health and social services, general government and debt service functions.

**(2) Cash**

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2004. During the year ended June 30, 2004, the City invested its excess funds in a savings account and certificates of deposit.



City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes and urban renewal tax increment financing revenue notes are as follows:

Year Ending June 30	General Obligation Bonds		General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 40,000	13,170	80,000	35,535	5,504	146	125,504	48,851
2006	40,000	11,270	80,000	33,300	---	---	120,000	44,570
2007	45,000	9,350	85,000	30,832	---	---	130,000	40,182
2008	45,000	7,145	95,000	27,840	---	---	140,000	34,985
2009	45,000	4,895	95,000	24,350	---	---	140,000	29,245
2010	50,000	2,600	90,000	20,682	---	---	140,000	23,282
2011	---	---	90,000	16,878	---	---	90,000	16,878
2012	---	---	60,000	12,917	---	---	60,000	12,917
2013	---	---	60,000	10,578	---	---	60,000	10,578
2014	---	---	60,000	8,178	---	---	60,000	8,178
2015	---	---	65,000	5,688	---	---	65,000	5,688
2016	---	---	65,000	2,892	---	---	65,000	2,892
Total	265,000	48,430	925,000	229,670	5,504	146	1,195,504	278,246

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, it was noted that the Debt Service Fund had expenditures for capital equipment.

**State Revolving Fund Loan Proceeds:**

The City approved issuance of Sewer Revenue Bonds of \$3,877,000 to pay for improvement of the municipal sewer system. The City is drawing down funds as needed to pay for construction of this project. As of June 30, 2004, \$1,415,001 had been received and \$410,000 of principal had been paid by the City. The City anticipates receiving the balance of the loan proceeds during the next fiscal year. These proceeds are to be repaid over a twenty-year period starting June 1, 2002, with an interest rate of 3.92%. Future maturities are as follows:

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

<u>Year Ending,</u>	
June 30, 2005	\$ 147,000
June 30, 2006	153,000
June 30, 2007	159,000
June 30, 2008	165,000
June 30, 2009	171,000
Thereafter	<u>2,672,000</u>
Total	\$ 3,467,000
	=====

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$53,827, 49,981 and \$48,946, respectively, equal to the required contributions for each year.

The City administrator is covered under a retirement plan with ICMA retirement corporation in lieu of IPERS. Contributions are 5.75% by the employer and 3.70% by the employee. The employer's contribution for the years ended June 30, 2004, 2003 and 2002 totaled \$3,378, \$3,112 and \$2,721 respectively.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time, and sick leave termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 48,700
Sick leave	27,900
Compensatory time	<u>4,900</u>
Total	<u>\$ 81,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 58,362
	Employee benefits	215,810
	Insurance	32,673
	Health care	302,343
	Enterprise:	
	Solid waste	<u>5,600</u>
		<u>614,788</u>
Capital Projects	Special Revenue:	
	Local option sales tax	178,562
	Road use	<u>12,198</u>
		<u>190,760</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

Special Revenue:	Enterprise:	
Insurance	Water	10,200
	Sewer	4,700
	Theater	<u>800</u>
		<u>15,700</u>
Debt Service	Special Revenue:	
	TIF	14,370
	Healthcare	362,239
	Enterprise:	
	Water	<u>21,492</u>
		<u>398,101</u>
Total		\$ 1,219,349
		<u>=====</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(7) Contingent Liabilities**

- (A) The City of Eldora, Iowa is one of eleven cities in Hardin County that comprise the membership of the Hardin County Sanitary Solid Waste Disposal Commission. This Commission is responsible for providing solid waste disposal in Hardin County. The present site in use has a remaining estimated useful life of fifteen years according to a study done for the Hardin County Sanitary Solid Waste Disposal Commission by Fox Engineering. Fox Engineering has estimated the Commission will incur costs of \$531,000 for closure and continued monitoring of the site after closure. These costs will be incurred in segments over the remaining 15-year life of the facility. The City of Eldora will be responsible for its pro rata share of these expenses. In addition, the City of Eldora is contingently liable for any potential clean-up costs associated with complying with requirements of the federal government's Environmental Protection Agency or the State of Iowa's Department of Natural Resources.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

- (B) The City of Eldora, Iowa is contingently liable for an old city dump which has been closed. The Department of Natural Resources investigated the site in 1989, but no orders or reports were issued. No determination of potential cost of cleanup efforts has been made.

**(8) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$56,201.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 per accident, each location, with excess coverage reinsured on an individual – member basis. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2004

**(9) Interfund Loans**

At June 30, 2004, the City had the following interfund loans outstanding:

<u>Description</u>	<u>Balance</u>	<u>Interest Rate</u>	<u>Due Date</u>
Loan from General to TIF Fund	\$ 14,489	6.00%	6-30-07
Loan from General to TIF Fund	2,842	7.50%	5-01-07

**(10) Construction Commitments**

The City entered into a construction commitment of approximately 4.2 million for a new sewer treatment plant. The project will be financed by a \$600,000 block grant and the issuance of revenue bonds. At June 30, 2004 approximately \$1,329,000 had been spent on the project.

**(11) Deficit Fund Balance**

The Special Revenue Employee Benefit Fund has a deficit balance of \$72,648. This deficit was caused by not levying enough taxes to pay for employee benefits. This deficit will be eliminated upon the receipt of property taxes.

**(12) Accounting Change and Restatements**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements -

- and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

City of Eldora, Iowa  
Notes to Financial Statements  
June 30, 2004

**(13) Subsequent Event**

The City of Eldora has approved issuing a \$400,000 note for an economic development loan.  
As of the date of this audit report, this note has not yet been issued.



### **Required Supplementary Information**

City of Eldora, Iowa

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 770,492	-
Tax increment financing collections	19,895	-
Other city tax	276,684	-
Licenses and permits	10,619	-
Use of money and property	92,909	15,412
Intergovernmental	283,345	-
Charges for service	217,612	933,127
Special assessments	3,702	-
Miscellaneous	69,658	27,235
Total receipts	<u>1,744,916</u>	<u>975,774</u>
Disbursements:		
Public safety	628,097	-
Public works	396,145	-
Health and social services	352,073	-
Culture and recreation	251,924	-
Community and economic development	760	-
General government	259,135	-
Debt service	883,600	-
Capital projects	819,066	-
Business type activities	-	1,149,111
Total disbursements	<u>3,590,800</u>	<u>1,149,111</u>
Excess (deficiency) of receipts over (under) disbursements	(1,845,884)	(173,337)
Other financing sources, net	<u>2,629,950</u>	<u>114,501</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	784,066	(58,836)
Balances beginning of year	<u>1,337,011</u>	<u>1,089,856</u>
Balances end of year	<u>\$ 2,121,077</u>	<u>1,031,020</u>
See accompanying independent auditor's report.		

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
770,492	756,511	756,511	13,981
19,895	18,000	18,000	1,895
276,684	240,750	240,750	35,934
10,619	42,500	42,500	(31,881)
108,321	25,000	25,000	83,321
283,345	1,106,984	1,106,984	(823,639)
1,150,739	856,790	856,790	293,949
3,702	5,000	5,000	(1,298)
96,893	134,500	134,500	(37,607)
<u>2,720,690</u>	<u>3,186,035</u>	<u>3,186,035</u>	<u>(465,345)</u>
628,097	340,000	340,000	(288,097)
396,145	698,869	698,869	302,724
352,073	2,960	2,960	(349,113)
251,924	272,243	272,243	20,319
760	25,342	25,342	24,582
259,135	215,520	215,520	(43,615)
883,600	208,773	208,773	(674,827)
819,066	4,215,000	4,215,000	3,395,934
<u>1,149,111</u>	<u>1,239,327</u>	<u>1,239,327</u>	<u>90,216</u>
<u>4,739,911</u>	<u>7,218,034</u>	<u>7,218,034</u>	<u>2,478,123</u>
(2,019,221)	(4,031,999)	(4,031,999)	2,012,778
<u>2,744,451</u>	<u>4,097,001</u>	<u>4,097,001</u>	<u>(1,352,550)</u>
725,230	65,002	65,002	660,228
<u>2,426,867</u>	<u>2,927,973</u>	<u>2,927,973</u>	<u>(501,106)</u>
<u>3,152,097</u>	<u>2,992,975</u>	<u>2,992,975</u>	<u>159,122</u>

City of Eldora, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis

following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The original and final budgeted amounts are the same as no budget amendments were made during this fiscal year.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works, health and social services, general government, and debt service functions.

## **Other Supplementary Information**

City of Eldora, Iowa

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue			
	Road Use Tax	Insurance	Employee Benefits	Housing
Receipts:				
Property tax	\$ -	34,817	151,402	-
Tax increment financing collections	-	-	-	-
Other city tax	-	1,821	7,882	-
Use of money and property	-	871	-	3
Intergovernmental	252,778	-	-	-
Charges for service	11,496	-	-	-
Special assessments	-	-	-	-
Miscellaneous	7,952	268	-	-
Total receipts	<u>272,226</u>	<u>37,777</u>	<u>159,284</u>	<u>3</u>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	274,645	-	-	-
Culture and recreation	-	-	-	-
General government	-	25,386	-	-
Capital projects	-	-	-	-
Total disbursements	<u>274,645</u>	<u>25,386</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,419)</u>	<u>12,391</u>	<u>159,284</u>	<u>3</u>
Other financing sources (uses):				
Loan repayment	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	-	15,700	-	-
Operating transfers out	(12,198)	(32,673)	(215,810)	-
Total other financing sources (uses)	<u>(12,198)</u>	<u>(16,973)</u>	<u>(215,810)</u>	<u>-</u>
Net change in cash balances	(14,617)	(4,582)	(56,526)	3
Cash balances beginning of year	238,148	96,165	(16,122)	245
Cash balances end of year	<u>\$ 223,531</u>	<u>91,583</u>	<u>(72,648)</u>	<u>248</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 223,531	91,583	(72,648)	248
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 223,531</u>	<u>91,583</u>	<u>(72,648)</u>	<u>248</u>

See accompanying independent auditor's report.

City of Eldora, Iowa

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue			
	Library <u>Trust</u>	Police <u>Trust</u>	Theater <u>Trust</u>	Visitors <u>Center</u>
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Use of money and property	118	96	34	2
Intergovernmental	3,334	-	-	-
Charges for service	-	150	-	-
Special assessments	-	-	-	-
Miscellaneous	2,572	10,552	1,418	123
Total receipts	<u>6,024</u>	<u>10,798</u>	<u>1,452</u>	<u>125</u>
Disbursements:				
Operating:				
Public safety	-	8,569	-	-
Public works	-	-	-	-
Culture and recreation	16,960	-	6,239	1,229
General government	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>16,960</u>	<u>8,569</u>	<u>6,239</u>	<u>1,229</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(10,936)</u>	<u>2,229</u>	<u>(4,787)</u>	<u>(1,104)</u>
Other financing sources (uses):				
Loan repayment	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	<u>(10,936)</u>	<u>2,229</u>	<u>(4,787)</u>	<u>(1,104)</u>
Cash balances beginning of year	18,388	5,957	5,807	1,114
Cash balances end of year	<u>\$ 7,452</u>	<u>8,186</u>	<u>1,020</u>	<u>10</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 7,452	8,186	1,020	10
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 7,452</u>	<u>8,186</u>	<u>1,020</u>	<u>10</u>

See accompanying independent auditor's report.

<u>Local Option Tax</u>	<u>TIF</u>	<u>Trees Forever</u>	<u>Park Trust</u>	<u>Fire Department Trust</u>
-	-	-	-	-
-	19,895	-	-	-
236,924	-	-	-	-
-	106	147	119	104
-	-	-	-	-
-	-	-	-	1,930
-	-	-	-	-
-	-	-	238	23,794
<u>236,924</u>	<u>20,001</u>	<u>147</u>	<u>357</u>	<u>25,828</u>
-	-	-	-	30,874
-	-	-	-	-
-	-	483	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>483</u>	<u>-</u>	<u>30,874</u>
<u>236,924</u>	<u>20,001</u>	<u>(336)</u>	<u>357</u>	<u>(5,046)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(236,924)	(14,370)	-	-	-
<u>(236,924)</u>	<u>(14,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	5,631	(336)	357	(5,046)
-	5,579	11,452	8,741	40,461
<u>-</u>	<u>11,210</u>	<u>11,116</u>	<u>9,098</u>	<u>35,415</u>
-	11,210	11,116	9,098	35,415
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>11,210</u>	<u>11,116</u>	<u>9,098</u>	<u>35,415</u>

(continued)



## Schedule 1

<u>Ambulance Trust</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
-	-	-	186,219
-	-	-	19,895
-	-	-	246,627
296	4,381	-	6,277
-	-	-	256,112
-	-	-	13,576
-	3,702	-	3,702
2,804	-	-	49,721
<u>3,100</u>	<u>8,083</u>	<u>-</u>	<u>782,129</u>
1,220	-	-	40,663
-	-	-	274,645
-	-	-	24,911
-	-	-	25,386
-	273,150	-	273,150
<u>1,220</u>	<u>273,150</u>	<u>-</u>	<u>638,755</u>
<u>1,880</u>	<u>(265,067)</u>	<u>-</u>	<u>143,374</u>
-	-	150	150
-	10,002	225	10,227
-	190,760	-	206,460
-	-	-	(511,975)
-	<u>200,762</u>	<u>375</u>	<u>(295,138)</u>
1,880	(64,305)	375	(151,764)
22,474	340,779	130,292	909,480
<u>24,354</u>	<u>276,474</u>	<u>130,667</u>	<u>757,716</u>
24,354	-	-	350,575
-	276,474	-	276,474
-	-	130,667	130,667
<u>24,354</u>	<u>276,474</u>	<u>130,667</u>	<u>757,716</u>

City of Eldora, Iowa

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2004

	<u>Water</u>	<u>Solid Waste</u>	<u>Utility Deposit</u>
Operating receipts:			
Use of money and property	\$ 500	-	-
Charges for service	297,274	85,855	-
Miscellaneous	-	-	7,721
Total operating receipts	<u>297,774</u>	<u>85,855</u>	<u>7,721</u>
Operating disbursements:			
Business type activities	<u>259,272</u>	<u>85,304</u>	<u>5,581</u>
Total operating disbursements	<u>259,272</u>	<u>85,304</u>	<u>5,581</u>
Excess of operating receipts over operating disbursements	<u>38,502</u>	<u>551</u>	<u>2,140</u>
Non-operating receipts (disbursements):			
Interest on investments	4,905	1,350	307
Miscellaneous	<u>6,099</u>	<u>900</u>	<u>-</u>
Total non-operating receipts	<u>11,004</u>	<u>2,250</u>	<u>307</u>
Excess of receipts over disbursements	49,506	2,801	2,447
Operating transfers out	<u>(31,692)</u>	<u>(5,600)</u>	<u>-</u>
Net change in cash balances	17,814	(2,799)	2,447
Cash balances beginning of year	<u>356,518</u>	<u>95,944</u>	<u>23,163</u>
Cash balances end of year	<u>\$ 374,332</u>	<u>93,145</u>	<u>25,610</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>374,332</u>	<u>93,145</u>	<u>25,610</u>
Total cash basis fund balances	<u>\$ 374,332</u>	<u>93,145</u>	<u>25,610</u>

See accompanying independent auditor's report.

## Schedule 2

<u>Theater</u>	<u>Total</u>
-	500
106,544	489,673
-	7,721
<u>106,544</u>	<u>497,894</u>
<u>98,819</u>	<u>448,976</u>
<u>98,819</u>	<u>448,976</u>
<u>7,725</u>	<u>48,918</u>
585	7,147
<u>3,162</u>	<u>10,161</u>
<u>3,747</u>	<u>17,308</u>
11,472	66,226
<u>(800)</u>	<u>(38,092)</u>
10,672	28,134
<u>45,711</u>	<u>521,336</u>
<u>56,383</u>	<u>549,470</u>
<u>56,383</u>	<u>549,470</u>
<u>56,383</u>	<u>549,470</u>
<u>56,383</u>	<u>549,470</u>

City of Eldora, Iowa

Schedule of Indebtedness

Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Capital loan note	12-01-93	3.10-5.10%	\$ 1,540,000
Capital loan note	11-19-99	3.00%	600,000
Storm sewer note	11-01-01	5.00-5.50%	280,000
Corporate purpose and refunding note	10-01-03	1.40-4.45%	795,000
Total			
Revenue notes:			
TIF financing	9-17-97	5.00%	\$ 50,000
General obligation bonds:			
Corporate purpose	10-01-99	4.30-5.20%	\$ 410,000
Revenue bonds:			
Sewer - Series A	4-18-00	3.92%	\$ 1,743,725
Sewer - Series B	4-18-00	3.92%	901,275
Sewer - Series C	4-18-00	3.92%	1,074,249
Sewer - Series D	4-18-00	3.92%	157,751
Total			
Other debt:			
Ziegler installment note	11-02-02	4.50%	\$ 95,132

See accompanying independent auditor's report.

## Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
240,000	-	240,000	-	5,887	-
420,000	-	420,000	-	14,839	-
235,000	-	25,000	210,000	12,548	-
-	795,000	80,000	715,000	14,814	-
<u>\$ 895,000</u>	<u>795,000</u>	<u>765,000</u>	<u>925,000</u>	<u>48,088</u>	<u>-</u>
<u>16,114</u>	<u>-</u>	<u>10,610</u>	<u>5,504</u>	<u>740</u>	<u>-</u>
<u>305,000</u>	<u>-</u>	<u>40,000</u>	<u>265,000</u>	<u>15,050</u>	<u>-</u>
4,708	118,293	64,000	59,001	1,639	-
839,000	-	33,000	806,000	32,889	-
-	39,000	39,000	-	609	-
146,000	-	6,000	140,000	5,723	-
<u>\$ 989,708</u>	<u>157,293</u>	<u>142,000</u>	<u>1,005,001</u>	<u>40,860</u>	<u>-</u>
<u>58,132</u>	<u>-</u>	<u>58,132</u>	<u>-</u>	<u>3,072</u>	<u>-</u>

## Bond and Note Maturities

June 30, 2004

General Obligation Notes						
Year Ending <u>June 30.</u>	Storm Sewer Note Issued Nov 1, 2000			Corporate Purpose and Refunding Note Issued Oct 1, 2003		
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>	<u>Total</u>
2005	5.20 %	\$ 25,000		1.70 %	\$ 55,000	80,000
2006	5.25	25,000		2.10	55,000	80,000
2007	5.30	30,000		2.55	55,000	85,000
2008	5.35	30,000		2.90	65,000	95,000
2009	5.40	30,000		3.15	65,000	95,000
2010	5.45	35,000		3.45	55,000	90,000
2011	5.50	35,000		3.70	55,000	90,000
2012		-		3.90	60,000	60,000
2013		-		4.00	60,000	60,000
2014		-		4.15	60,000	60,000
2015		-		4.30	65,000	65,000
2016		-		4.45	65,000	65,000
Total		<u>\$ 210,000</u>			<u>\$ 715,000</u>	<u>\$ 925,000</u>

Revenue Notes				General Obligation Bond			
TIF Note				Corporate Purpose Bonds			
Year	Issued Sep 17, 1997			Year	Issued Oct 1, 1999		
Ending	Interest			Ending	Interest		
<u>June 30.</u>	<u>Rates</u>		<u>Amount</u>	<u>June 30.</u>	<u>Rates</u>		<u>Amount</u>
2005	5.375 %	\$	<u>5,504</u>	2005	4.75 %	\$	40,000
				2006	4.80		40,000
				2007	4.90		45,000
				2008	5.00		45,000
				2009	5.10		45,000
				2010	5.20		<u>50,000</u>
				Total			\$ 265,000

See accompanying independent auditor's report.

(continued)

## Bond and Note Maturities

June 30, 2004

Revenue Bonds									
Year Ending <u>June 30,</u>	Sewer Bond - Series A			Sewer Bond - Series B			Sewer Bond - Series D		
	<u>Issued Apr 18, 2000</u>			<u>Issued Apr 18, 2000</u>			<u>Issued Apr 18, 2000</u>		
	Interest			Interest			Interest		
	<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>	<u>Total</u>
2005	3.92 %	\$ 59,001		3.92 %	\$ 34,000		3.92 %	\$ 6,000	99,001
2006		-		3.92	36,000		3.92	6,000	42,000
2007		-		3.92	37,000		3.92	6,000	43,000
2008		-		3.92	38,000		3.92	7,000	45,000
2009		-		3.92	40,000		3.92	7,000	47,000
2010		-		3.92	42,000		3.92	7,000	49,000
2011		-		3.92	43,000		3.92	8,000	51,000
2012		-		3.92	45,000		3.92	8,000	53,000
2013		-		3.92	47,000		3.92	8,000	55,000
2014		-		3.92	48,000		3.92	8,000	56,000
2015		-		3.92	50,000		3.92	9,000	59,000
2016		-		3.92	52,000		3.92	9,000	61,000
2017		-		3.92	54,000		3.92	9,000	63,000
2018		-		3.92	57,000		3.92	10,000	67,000
2019		-		3.92	59,000		3.92	10,000	69,000
2020		-		3.92	61,000		3.92	11,000	72,000
2021		-		3.92	63,000		3.92	11,000	74,000
Total		<u>\$ 59,001</u>			<u>\$ 806,000</u>			<u>\$ 140,000</u>	<u>\$ 1,005,001</u>

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 770,492	798,858
Tax increment financing collections	19,895	20,238
Other city tax	276,684	278,691
Licenses and permits	10,619	11,444
Use of money and property	92,909	61,426
Intergovernmental	283,345	335,011
Charges for service	217,612	176,393
Special assessments	3,702	7,685
Miscellaneous	<u>69,658</u>	<u>100,820</u>
Total	<u>\$ 1,744,916</u>	<u>1,790,566</u>
Disbursements:		
Operating		
Public safety	\$ 628,097	550,158
Public works	396,145	355,447
Health and social services	352,073	201,761
Culture and recreation	251,924	270,581
Community and economic development	760	760
General government	259,135	219,791
Debt service	1,429,516	230,879
Capital projects	<u>273,150</u>	<u>529,284</u>
Total	<u>\$ 3,590,800</u>	<u>2,358,661</u>

See accompanying independent auditor's report.



Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Eldora, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Eldora's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes. Prior year statutory comments have been resolved except for items II-B-04, II-G-04 and II-I-04.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Eldora's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial

reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Eldora's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item

I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eldora and other parties to whom the City of Eldora may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eldora during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

October 1, 2004

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-04 Segregation of Duties - During our review of internal control the existing procedures were evaluated in order to determine that incompatible duties are not performed by the same employee. Segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. We noted that one employee handles almost all of the financial duties, including reconciling accounts and recording financial data.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response and Corrective Action Planned - We will continue our review.

Conclusion - Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the public safety, health and social services, debt service and general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2004

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in sufficient amounts in the future, if applicable. Also, we will review the new function categories to make sure the disbursements are budgeted properly.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Warren, Council Member Self-employed	Maintenance agreement, computers, supplies	\$ 9,175

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member do not appear to represent a conflict of interest since they were entered into through competitive bidding.

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of the Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish minutes as required.

Response – We will publish minutes and bills as required.

Conclusion – Response accepted.

- II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- II-I-04 Financial Condition – The Special Revenue, Employee Benefit Fund had a deficit balance at June 30, 2004 of \$72,648.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was due to not levying enough taxes to pay for employee benefits. The deficit will be eliminated upon receipt of property tax.

Conclusion – Response accepted.

- II-J-04 Revenue Bonds – No violations of the revenue bond resolutions were noted.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2004

II-K-4 Payment of Capital Equipment – It was noted that the City paid for capital equipment out of the Debt Service Fund. This is not an appropriate expenditure of the Debt Service Fund per Chapter 384.4 of the Code of Iowa.

Recommendation – The City should have paid for the capital equipment out of the proper fund.

Response – We issued new bonds to pay for capital equipment and refinance old debt. We paid for the equipment out of the Debt Service Fund as that is where the bond proceeds were deposited. In the future we will deposit bond proceeds in a Capital Project account and pay for the equipment out of the proper fund.

Conclusion – Response accepted.